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To: A4.A4 (SSEGAL)
Date: 7/30/98 9:38am
Subject: Comments to the Chairman

97-21

Greg Weisiger (gweisige@pen.k12.va.us) writes:

Mr. Chairman:

I am sending you and all FCC Commissioners
a copy of my comments on USAC's Plan of
Reorganization I am mailing today.

Thank you for your consideration.

Greg Weisiger

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of

USAC Plan of Reorganization

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) CC Docket No. 97-21 96-45
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) DA 98-1336
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Comments of Greg Weisiger

Greg Weisiger, private citizen, submits these comments in response to
the Federal

Communications Commission request for comment on certain issues related to the
Commissions Proposed Plan of Reorganization for the Federal Universal Service
program.

Introduction

In response to legislation enacted by the United States Congress on May
1, 1998,

the Federal Communications Commission (FCC) submitted a plan to combine the
duties

and responsibilities of the three companies currently administering the
Universal Service

program. Legislation mandated that the three companies, the Universal Service
Administrative Company (USAC), the Schools and Libraries Corporation (SLC) and
the

Rural Health Care Corporation (RHCC) shall be merged into one company by

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January 1,

1999. On July 1, 1998, the three companies submitted plans for reorganization to the

FCC. The FCC seeks comments on specific issues regarding those plans.

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Questions for Comment

1. Would consolidation of the three corporations foster efficient administration and sufficient accountability?

It may be presumed that the combined company would be able to take advantage

of efficiencies of scale and elimination of duplicative services. Consolidation will close the

lines of communication between the three entities and could bring about consistency of

policy, currently lacking between the SLC and RHCC. FCC regulations adopted on May

8, 1996, and subsequent reconsiderations profess the FCC's desire for cooperation

between entities eligible to receive discounts by forming consortia in order to take

advantage of leveraged buying power and more efficient use of services. The reality

of the two independent companies however has had exactly the opposite effect. SLC

clients have one set of forms and policy while RHCC clients have completely different

applications and policy. This problem has been exacerbated during this initial funding cycle

by the two companies opening filing windows at different times, making cooperation

between schools and libraries and rural health care providers virtually impossible.

A combined corporation with an efficient communication structure, singular leadership and lower administrative cost may tend to encourage cooperation between

eligible entities. I suggest policies of the new company encourage greater cooperation.

There is a larger problem which needs to be addressed by the consolidated

company of inadequate contracted service providers, as the SLC has

discovered.

While the SLC has only a handful of employees, many more are on the payroll

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through administrative contracts - maintaining the SLC website, answering calls on the toll

free lines and sifting through the 30,000 odd applications. During the start-up phase of

a corporation responsible for administration of a program of this magnitude and short time

horizon, some problems can be expected. I believe, however that the contractor hired by

the SLC was totally unprepared for initial implementation of the program. The

contractor failed to foresee obvious problems and failed to set up adequate systems to

process applications. The contractor underestimated potential demand by schools and

libraries, failed to adequately train staff responsible for execution of the program and failed to set up adequate computer software to efficiently process applications. This is evidenced by the inconsistent and often incorrect advice given

applicants on the toll free hotline, the erroneous rejection of applications and other

problems now coming to light. As of this writing at the end of July, eight months after

many applicants are eligible for discounts. no school or library has received one discount

dollar and no school or library has received a funding commitment letter. Over three

months after the filing window for schools and libraries closed, all applications have not

even been entered into the SLC database. It is apparent from the applicants perspective

that the contractor has a very inefficient system in place for processing of SLC

applications. I suggest the new consolidated corporation concentrate on contractor

oversight and hold the contractor accountable to a higher degree of accuracy and

efficiency.

Accountability In order to measure and evaluate accountability,

verifiable

expectations must be established. These expectations must go beyond requirements for

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application windows of a certain length or implementation plans due by a certain date, but

encompass all aspects of the program such as responding to questions with correct

answers within a certain time period, accurately entering data within a given period and

the like. Accountability is not a function of a consolidated corporation, rather it is a

function of corporate attitude. Accountability is however measurable. The new corporation should have specific goals and be accountable to meet those goals.

2. Would consolidation preserve the distinct missions of the three companies?

The proposal as presented, with SLC and RHCC as standing committees of the

parent company, the distinct missions could be preserved. I am somewhat concerned by

the proposed makeup of the USAC Board of Directors. The proposed Board seems overly

weighted toward telephone companies, with almost half the members representing telephone company interests. This may seem understandable considering USAC's (NECA) traditional mission of administration of the high cost low income, fund which

deals exclusively with telephone companies and certificated telecommunications carriers.

However, throughout the entire Universal Service process telephone companies have filed

petitions and comments with the FCC asking that the FCC maintain a narrow definition of

who is a telecommunications carrier for the purpose of discount funding. The Telecommunications Act requires that the FCC establish competitively neutral rules for

receiving discounts on all covered services, yet the telephone companies argue, somewhat

successfully, only certificated telecommunications carriers should receive discounts

for all telecommunications services other than connections for internet access - and even

the internet aspect continues to be debated. I have petitioned the FCC to reconsider this

regulation and will continue to urge the Commission to open the telecommunications field

to all players under Section 706 as, I believe, was the intent of Congress in the 1996 Act.

I fear a plurality of telephone company representatives on the new USAC Board

may be detrimental to furthering the notion of increased competition in the industry.

I suggest greater representation on behalf of carriers and potential carriers such as

wireless, public utility companies, cable, internet service providers, satellite carriers, etc.

The current proposed Board is already large and more members could prove counter

productive. I further suggest that new representatives from these other constituencies

replace telephone company representation so that telephone company representation on

the USAC board is no more than four. I also suggest that the Schools and Libraries

committee be increased by one member and include another service provider representative not associated with telephone companies.

3. Should USAC be permanent administrator and be divested of NECA?

In the Plan for Reorganization under the heading Divesting USAC¶ the first

statement is: Divesting USAC from NECA will be easy to accomplish...¶ This statement

alone sends up a red flag in my mind. Initially I was in favor of divesting USAC from

NECA because of NECA's close ties with the telephone industry. After careful consideration, I have come to the conclusion that the Commission should NOT divest

USAC from NECA for the foreseeable future.

As the Schools and Libraries Corporation has discovered with the problems

associated with their contractor, the start-up process can be exceedingly difficult. With

divestiture of USAC it is assumed that key personnel from USAC will remain with the

new company. This may be a mistaken assumption. On August 15 of last year NECA received permission from the FCC to begin work on the administrative process for

implementing the FCC's May 8 Universal Service regulations. During the ensuing months

of NECA attempting to implement the program, several key NECA people left the organization, including William Stern and Manny Green. Before divesting USAC from

NECA, there should be some assurance that key personnel are supportive and will

continue with the new company.

NECA has successfully administered high cost and low income support for years

and there is no reason to believe it could not continue that work with SLC and RHCC. I

assume that success has continued during the first year of USAC operation. Because no

funding has been committed to school and library vendors, USAC remains untested in this

area. Current estimates indicate that first funding to vendors will not begin flowing before

late fall or early winter of this year. Initial payments will be complicated by the

requirement to submit retroactive payments to vendors, or perhaps directly to schools and

libraries as far back as January 1, 1998. If a significant number of key personnel refuse to

join the new company during this critical time, the payment process may be as

disorganized as the initial application process. I suggest USAC remain a subsidiary of

NECA at least through January, 2000 to ensure a smooth transition on the funding side. I

also suggest that the FCC closely monitor USAC and intervene quickly if problems arise in

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processing vendor payments.

4. How should the appeal process be handled?

The FCC is seeking comment on two different types of appeals. First the Commission proposes that it allow 60 days to receive appeals on action taken by USAC.

If no appeals are made within the 60 days or the Commission takes no action, the USAC

rules would be considered effective. The Commission also asks if some state procurement

regulations could offer solutions to the procurement of services. Before proposing any

new rules, I would hope USAC would consult with the FCC. I suggest at least for 1999

and 2000 the FCC and USAC designate representatives to communicate on a daily basis

for status updates and for USAC to seek guidance from the FCC on proposed rules. I also

suggest USAC and the FCC conduct a procurement summit with representatives of several states to help USAC formulate new procurement rules more in line with state

requirements. I further suggest the FCC reexamine its requirement to post service requests

on the SLC website for 28 days. This requirement was very costly to the SLC and I

suspect resulted in very few additional bids from outside vendors. I suggest the FCC poll

schools and libraries to determine the actual worth of the 28 day posting requirement and

weigh it against the cost of the requirement. I believe state and local procurement rules

combined with local competition are sufficient to ensure cost effective service.

The FCC also seeks comment on appeals of decisions made by USAC staff. The

FCC asks if appeals should be made directly to the committees, the USAC Board or the

FCC. In the case of SLC, all appeals are handled by one person. Few applicants are aware

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they may also appeal to the FCC. I ask the FCC to establish clear policy regarding appeals

of FCC and USAC regulations and decisions. I ask that this policy be

communicated to all

applicants and be included on the application forms and rejection letters. The policy should

explain the roles of the FCC, USAC and the Schools and Libraries Committee. I ask that

this communication include appeal procedures and specific issues for which appeal is

authorized.

I submit these comments for your consideration July 31, 1998.

Respectfully,

Greg Weisiger

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Server protocol: HTTP/1.0
Remote host: 141.104.26.112
Remote IP address: 141.104.26.112